

MAGELLAN
STATEMENT OF FINANCIAL POSITION
AS OF: September 30, 2007

ASSETS

CURRENT ASSETS

101 Cash (Disclose on Schedule A)	\$26,412,880
102 Current Investments	-
103 Accounts Receivable (net) (Disclose on Schedule A)	\$11,854,142
104 Notes Receivable (current portion)	-
105 Prepaid Expenses	3,572,160
106 Other Current Assets (Disclose on Schedule A)	\$1,243,349
107 Total Current Assets	<u>\$43,082,531</u>

NON-CURRENT ASSETS

108 Land	-
109 Building	-
110 Leasehold Improvements	3,267,619
111 Furniture and Equipment	6,847,518
112 Vehicles	-
113 Total Property and Equipment	<u>\$10,115,137</u>
114 Less: Accumulated Depreciation	519,670
115 Net Property and Equipment	<u>\$9,595,467</u>
116 Notes Receivable (net of current portion)	-
117 Performance Bond (Disclose on Schedule A)	-
118 Long Term Investments	-
119 Deposits	-
120 Other Noncurrent Assets (Disclose on Schedule A)	\$439,043
121 Total Noncurrent Assets	<u>\$10,034,510</u>
122 TOTAL ASSETS	<u><u>\$53,117,041</u></u>

LIABILITIES AND NET ASSETS/EQUITY

CURRENT LIABILITIES

201 Incurred But Not Reported Claims (Disclose on Sch. A)	\$7,659,007
202 Reported But Unpaid Claims	149,838
203 Payable to ADHS (Disclose on Schedule A)	\$884,414
204 Other Amounts Payable to Providers	108,086
205 Trade Accounts Payable	1,510,000
206 Accrued Salaries and Benefits	-
207 Long-term Debt (current portion)	-
208 Deferred Revenue (Disclose on Schedule A)	\$0
209 Risk Pool Payable	-
210 Other Current Liabilities (Disclose on Schedule A)	\$28,741,162
211 Total Current Liabilities	<u>\$39,052,507</u>

NON-CURRENT LIABILITIES

212 Long-term debt (net of current portion)	-
213 Loss Contingencies (Disclosed on Schedule A)	\$0
214 Other Noncurrent Liabilities (Disclose on Schedule A)	\$2,059,103
215 Total Noncurrent Liabilities	<u>\$2,059,103</u>
216 TOTAL LIABILITIES	<u>\$41,111,610</u>
217 NET ASSETS/EQUITY	
Unrestricted Net Assets	12,005,431
Restricted Net Assets (Disclose on Schedule A)	\$0

218 TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u><u>\$53,117,041</u></u>
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MAGELLAN
STATEMENT OF CASH FLOWS
YEAR TO DATE FOR PERIOD ENDED:

September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	(2,994,669)
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	519,670
Changes in Operating Assets and Liabilities	
(Increases)/Decreases in Assets:	
Current Investments	-
Receivables	(\$11,854,142)
Inventory & Prepaid Expenses	(3,572,160)
Interest Receivable	-
Deposits	(439,042)
Other	(1,243,350)
Increases/(Decreases) in Liabilities:	
IBNR	7,659,007
RBUIC	149,838
Accounts Payable to ADHS	884,414
Accounts Payable to Providers	108,086
Interest Payable	-
Trade Accounts Payable	1,510,000
Accrued Salaries & Benefits	-
Other Current Liabilities	\$28,741,162

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	19,468,814
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Property & Equipment	-
Purchases of Property & Equipment	(10,115,137)
Proceeds from Sales of Investments	-
Purchase of Investments	-

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(10,115,137)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Acquisition of Debt (Describe on Schedule A)	-
Payment of Lease Obligations	-
Payment of Other Debts (Describe on Schedule A)	-
Additional Paid-In Capital from Parent Company	15,000,000
Issuance of Common Stock	100

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	15,000,100
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NET INCREASE/(DECREASE) IN CASH	24,353,777
BEGINNING CASH	-
ENDING CASH BALANCE *	24,353,777

***NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET**

*DISCLOSE ON SCHEDULE A

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	SSDI - TMC	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
Administrative Expenses:																								
601	Salaries	195,264	128,581	18,374	14,184	19,755	0	564,354	18,190	231,876	1,326	392	0	180,238	3,412	7,744	75,388	13,152	0	3,036	0	1,475,265	0	1,475,265
602	Employee Benefits	58,468	38,501	5,502	4,247	5,915	0	168,985	5,447	69,431	397	117	0	53,969	1,022	2,319	22,574	3,938	0	909	0	441,740	0	441,740
603	Professional & Outside Services	225,282	148,349	21,198	16,365	22,792	0	651,114	20,987	267,523	1,530	452	0	207,947	3,936	8,935	86,978	15,174	0	3,503	0	1,702,064	0	1,702,064
604	Travel	59,112	38,925	5,562	4,294	5,980	0	170,846	5,507	70,196	401	119	0	54,563	1,033	2,344	22,822	3,981	0	919	0	446,606	0	446,606
605	Occupancy	5,145	3,368	406	374	521	0	14,870	479	6,110	35	10	0	4,749	90	204	1,986	347	0	80	0	38,872	0	38,872
606	Depreciation	7,040	4,636	662	511	712	0	20,348	656	8,360	48	14	0	6,498	123	279	108	474	0	109	0	53,190	0	53,190
607	All Other Operating*	320,264	210,894	30,136	23,264	32,402	0	925,633	29,835	380,314	2,175	642	0	295,620	5,596	12,701	123,649	21,571	0	4,980	0	2,419,677	0	2,419,677
608	Subtotal ADHS Administrative Expenses	870,575	573,274	81,918	63,239	88,078	0	2,516,150	81,100	1,033,809	5,913	1,746	0	803,583	15,212	34,526	336,116	58,637	0	13,537	0	6,577,414	0	6,577,414
650	Non ADHS Administrative Expenses*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
651	Unrelated Admin. Expense*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
652	Subtotal Administrative Expense	870,575	573,274	81,918	63,239	88,078	0	2,516,150	81,100	1,033,809	5,913	1,746	0	803,583	15,212	34,526	336,116	58,637	0	13,537	0	6,577,414	0	6,577,414
701	Unrelated Business Expenses*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Tax Provisions																								
a	ADHS Income Tax Provision	212,053	(367,658)	(62,033)	22,152	(22,385)	0	(915,088)	(50,913)	(749,292)	23,894	2,336	0	76,064	(3,126)	(39,502)	(384,553)	2,115	0	22,525	0	(2,233,411)	0	(2,233,411)
b	Non ADHS Income Tax Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	67,706	67,706
799	Subtotal Income Tax Provision	212,053	(367,658)	(62,033)	22,152	(22,385)	0	(915,088)	(50,913)	(749,292)	23,894	2,336	0	76,064	(3,126)	(39,502)	(384,553)	2,115	0	22,525	0	(2,233,411)	67,706	(2,165,705)
800	TOTAL EXPENSES	7,451,985	4,399,841	619,220	548,066	710,094	0	20,009,873	623,535	7,848,132	73,067	16,855	0	6,758,874	123,380	247,628	2,410,675	489,752	0	135,104	0	52,466,083	67,706	52,533,789
801	INC(DEC) IN NET ASSETS/EQUITY	293,221	(508,385)	(85,778)	30,630	(30,954)	0	(1,265,355)	(70,400)	(1,036,096)	33,040	3,229	0	105,180	(4,323)	(54,622)	(531,747)	2,924	0	31,146	0	(3,088,291)	93,622	(2,994,669)

MAGELLAN

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

AS OF : September 30, 2007

		Net Assets /			
				Retained	
		Initial Capital	Additional Capital	Earnings	Total
Beginning Balance:	July 1, 2007	-	-	-	-
* Net Surplus / Net Earning for the period ended:	September 30, 2007	-	15,000,100	(2,994,669)	12,005,431
Dividends Declared			-		-
** Prior Period Adjustments		-	-	-	-
Ending Balance:	September 30, 2007			-	-
		\$ -	\$ 15,000,100	\$ (2,994,669)	\$ 12,005,431

* Net of dividends declared

** Disclosure of Prior Period Adjustments

MAGELLAN
STATEMENT OF FINANCIAL POSITION
AS OF:
Schedule A Disclosures

September 30, 2007

ASSETS:

Cash

Unrestricted	24,353,777
Restricted	2,059,103

Total Cash	<u>\$26,412,880</u>
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Accounts Receivable

ADHS

Program ID	Category ID
Current Year	
TXIX Child	363,452
TXIX CMDP	1,299,208
TXIX DD Child	26
TXXI Child	47,788
NTXIX/XXI Child	125,000
HB2003 Child	67,263
TXIX SMI	2,177,097
TXIX DD Adult	11
NTXIX/XXI SMI	4,104,164
HIFA II SMI	(19,537)
TXXI Adult	2,078
TXIX GMHSA	(85,673)
HIFA II GMH	27,922
Mental Health	155,559
Substance Abuse	936,299
Prevention Intervention	241,382
PASRR	-
ADHS DOC	166,250
Other	25,835

Prior Year	
Select Program	Identify category
	-

Non-ADHS &/or Unrelated Business

Current Year	
Travel Advances	800
ABC Housing Receivable	3,372
Hope Housing Receivable	3,686
Tax Benefit Receivable	2,212,162
Select Program	Identify category
Select Program	Identify category
Select Program	Identify category

Prior Year	
Identify Program	Identify Category

Allowance for Doubtful Accounts

Total Accounts Receivable	<u>\$11,854,142</u>
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Other Current Assets (Detail of Line 106)

Start-up Costs for Maricopa Clinics	1,129,460
Clinical Pharmacy Inventory	113,889

LIABILITIES:

IBNR Claims Estimate

Current Year	
FY 07	7,659,007
Prior Year(s)	

Total IBNR	<u>\$7,659,007</u>
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Payable to ADHS (Detail of Line 203)

Program ID	Category ID
Current Year	
TXIX Child	Profit/Risk Corridor
TXIX GMHSA	Profit/Risk Corridor
TXIX SMI	Profit/Risk Corridor
TXXI Adult	Profit/Risk Corridor
NTXIX/XXI Child	Profit/Risk Corridor
TXIX Child	Withhold
TXIX SMI	Withhold
TXIX GMHSA	Withhold
TXXI Adult	Withhold
HIFA II GMH	Withhold
	79,557
	77,581
	225,147
	356,914
	126,985
	12,564
	3,371
	2,295

Prior Year	
Select Program	Identify category
	-

Total Payable to ADHS	<u>884,414</u>
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Deferred Revenue from: (Detail of Line 208)

Program ID	Category ID
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ADHS

Current Year	
Select Program	Identify category
Select Program	Identify category
Select Program	Identify category

Prior Year	
Identify Program	Identify Category

Non-ADHS &/or Unrelated Business

Current Year	
Identify Program	Identify Category
Identify Program	Identify Category

Prior Year	
Identify Program	Identify Category

Total Deferred Revenue	<u>\$0</u>
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Other Current Liabilities (Detail of Line 210)

Consulting Expenses	1,266,230
Telephone Expenses	35,000
Misc Expenses	2

		Intercompany Magellan Health Services	27,439,930
Total Other Current Assets	\$1,243,349	Total Other Current Liabilities	\$28,741,162
<u>Other Noncurrent Assets (Detail of Line 120)</u>		<u>Loss Contingencies (Detail of Line 213)</u>	
Clinic Security Deposits	307,971	Identify Loss Contingencies	-
Utility Security Deposits	131,072		
Total Other Noncurrent Assets	\$439,043	Total Loss Contingencies	\$0
<u>PERFORMANCE BOND:</u>		<u>Other Noncurrent Liabilities (Detail of Line 214)</u>	
Type of Security & Amount -		Maricopa Comcare Trust	2,059,103
Safeco Insurance Company of America Bond	36,000,000	Total Other Noncurrent Liabilities	\$2,059,103
<u>Adjustments:</u>		<u>Restricted Net Assets (Detail of Line 217)</u>	
Disclose and describe any adjustments made to previously submitted financial statements, including those that affect the current period financial statements.		Identify Restricted Net Assets	-
<u>Payables to ADHS - Other* Category</u>		Total Restricted Net Assets	\$0
Disclose items recorded as "Other" in the category for Payable to ADHS Section			
<u>Explain ≥10% fluctuation in account from prior period</u>			
Describe fluctuation in each account greater than 10%			

MAGELLAN

STATEMENT OF CASH FLOWS

YEAR TO DATE FOR PERIOD ENDED:

September 30, 2007

Schedule A Disclosure

Describe:

1. Sources and amounts of cash received for other grants.

2. Underlying transactions for acquisition of debt.

(Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)

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3. Underlying transactions for retirement of debt.

(Debtor, amount paid off.)

4. Cash Flows From Financing Activities - Payment of Other Debt

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5. Supplemental data or non-cash investing and financing activities, gifts, etc.